DEPARTMENT OF ECONOMIC SECURITY
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News Release

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DES to Offer $200 million in Short Term Notes to Repay Federal Unemployment Borrowing

Issuance will reduce borrowing costs and save Arizona employers $100 million in Federal Unemployment Taxes

PHOENIX – The Department announced today it will be issuing $200 million in tax exempt securities to pay off federal borrowing that began in 2010 when the State's unemployment insurance trust fund was depleted. Arizona was not alone in having to borrow to continue to pay initial benefits to eligible claimants; more than 20 states borrowed from the federal government during the Great Recession that began in 2007. Arizona is following other states such as Texas and Colorado who have found the cost of borrowing on the private market more cost effective than the terms offered by the federal program.

The Department estimates the financing will save approximately $670,000 in interest costs and will avoid federal tax increases that would directly impact Arizona employers. Arizona employers paid approximately $21 more per employee in federal unemployment taxes for wages earned in calendar year 2012 than they paid in prior years due to the outstanding federal borrowing. They would see that $21 increase double for wages paid in calendar year 2013 if Arizona is unable to pay off federal borrowing by November 10, 2013.

With this note issuance, the increased taxes will be avoided, which will save Arizona's employers approximately $100 million in federal unemployment taxes in 2014 that they would otherwise have paid. This reduction in tax burden on employers will continue to strengthen Arizona's economy.

The securities are scheduled to be issued this week and will be short term notes of eight month duration. The issuance has received the highest bond rating from both Moody's and Standard and Poor's. The Department is working with RBC Capital Markets on the issuance of the securities.

The authority to offer the notes was provided during the 2013 legislative session via HB2173.

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